



Santa Clara Valley Water District

File No.: 24-0436

Agenda Date: 5/14/2024
Item No.: 3.8.

BOARD AGENDA MEMORANDUM

Government Code § 84308 Applies: Yes ☐ No ☒
(If "YES" Complete Attachment A - Gov. Code § 84308)

SUBJECT:

Adopt Resolutions Approving and Adopting the Fiscal Year 2024-25 Operating and Capital Rolling Biennial Budget and Providing for Levy of Ad-Valorem Property Taxes; and Approve the Santa Clara Valley Water District Reserve Policy.

RECOMMENDATION:

- A. Adopt the Resolution APPROVING AND ADOPTING THE OPERATING AND CAPITAL ROLLING BIENNIAL BUDGET FOR FISCAL YEAR 2024-2025;
- B. Adopt the Resolution PROVIDING FOR LEVY OF AD VALOREM REAL PROPERTY TAXES IN FISCAL YEAR 2024-25 TO MEET THE COST OF ITS WATER SUPPLY CONTRACT WITH THE STATE OF CALIFORNIA;
- C. Approve the second fiscal year of the rolling biennial budget, referred to as the Fiscal Year 2025-26 Plan;
- D. Approve the Santa Clara Valley Water District Reserve Policy;
- E. Approve creation of the Excess ERAF Contingency Reserve; and
- F. Approve elimination of the Public-Private Partnership (P3) Reserve.

SUMMARY:

In accordance with the District Act, Section 20. Adoption of Budget, after conclusion of the public meeting(s) to hear comments from the general public on the proposed budget, the Board shall by Resolution adopt the budget as finally determined including any revisions that the Board determines advisable during or after the meeting(s) and no later than June 30 of each year.

Throughout the Fiscal Year 2024-25 (FY25) budget process, staff provided numerous budget development updates for the Board and the public. The FY25 budget proposal is consistent with the Board's direction given to staff at those meetings. Therefore, staff recommends Board approval of the Resolution Approving and Adopting the Santa Clara Valley Water District (Valley Water) Operating and Capital Budget for Fiscal Year 2024-25 (Attachment 1).

Staff has made minor modifications to the Fiscal Year 2024-25 Proposed Operating and Capital Rolling Biennial Budget relative to the version reviewed by the Board at the April 24 budget workstudy session, which have been incorporated into the attached resolutions accordingly. The

modifications include the following:

- A. The overhead rate for the Information Technology Fund was increased by 1% from 23% to 24% in FY 2025-26 to meet minimum reserve requirements to address potential reorganization for Artificial Intelligence initiatives;
- B. The elimination of the \$1.7 million transfer from the Safe, Clean Water and Natural Flood Protection Fund (26) to the Water Enterprise Fund (61) for the Pacheco Reservoir project;
- C. Refined the incremental cost associated with the Classic Tier 2 pension contribution level, specifically increasing it by \$168,000 and \$173,000 for FY 2024-25 and FY 2025-26 respectively; and
- D. Clean-up actions related to services and supplies costs, specifically increases to legal services (FAHCE project, \$200,000) and intern costs (\$34,000) in FY 2024-25 and an increase of \$115,000 for legal services in FY 2025-26.

In addition, in order for Valley Water to receive funds to pay for the contract costs of water importation from the State of California, staff recommends approval of the Resolution to Provide for a Levy of Ad-valorem Real Property Taxes in Fiscal Year 2024-25 (Attachment 2).

Staff recommends approval of the Valley Water Reserve Policy. The Policy has been updated to include the creation of the Excess ERAF Contingency Reserve and staff recommends the elimination of the Public-Private Partnership (P3) reserve as the balance of that reserve has been zero for several years and Valley Water has cancelled the Public-Private Partnership procurement related to this reserve. The Valley Water Reserve Policy will be included in the final summary budget document as has been the case in past years (Attachment 3).

The transmittal letter for the FY 2024-25 Budget is included (Attachment 4).

The final summary budget document will be available on the Valley Water website by June 30, 2024.

ENVIRONMENTAL JUSTICE AND EQUITY IMPACT:

Valley Water acknowledges that disadvantaged communities have historically been disproportionately impacted by the effects of drought and flooding and currently provides the Low-Income Water Rate Assistance Program to help low-income households pay their water bills. The development of Valley Water's budget is accomplished in an open transparent process providing opportunity for public input into the decision-making process. To ensure meaningful awareness of Valley Water's budget and engagement in the decision-making process, public hearings are noticed in county newspapers. The FY 2024-25 Budget, Water Charges, and Capital Improvement Program processes include over nine (9) open session discussions, supported by the Balancing Act online budget simulation tool, providing the public significant opportunity for input.

FINANCIAL IMPACT:

Staff recommends a proposed FY 2024-25 Operating and Capital Budget of \$1.093 billion, less \$129.1 million in intra-district reimbursements. The total net proposed budget is \$963.6 million. The gross budget is comprised of \$464.8 million in capital outlays, \$524.2 million in operations outlays,

and \$103.7 million in debt service. The proposed budget revenue is \$695.1 million, which includes proposed groundwater production and other water charges for FY 2024-25. Debt proceeds are budgeted at \$345.9 million and with the use of budgeted reserves, make up the difference between total outlays (including capital carryforward) and total revenues. Budgeted year-end reserves are \$412.9 million, of which \$152.1 million are legally restricted. Restricted Reserves are reserves with externally imposed legal restrictions or amounts constrained to specific purposes by their providers (such as grantors, bondholders, higher levels of government), through constitutional provisions or enabling legislation.

Adoption of the Resolution to Provide for a Levy of Ad-valorem Real Property Taxes in FY 2024-25 enables Valley Water to receive funds in the amount of \$28 million to pay for the contract costs of water importation from the State of California.

CEQA:

The recommended action does not constitute a project under CEQA because it does not have a potential for resulting in direct or reasonably, foreseeable indirect physical changes in the environment.

ATTACHMENTS:

Attachment 1: Resolution, Budget
Attachment 2: Valley Water Reserve Policy
Attachment 3: Resolution, Ad Valorem
Attachment 4: Transmittal Letter

UNCLASSIFIED MANAGER:

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